

SIGOURNEY COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

NOLTE, CORNMAN & JOHNSON P.C.
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NEWS RELEASE

Nolte, Cornman & Johnson P.C. today released an audit report on the Sigourney Community School District in Sigourney, Iowa.

The District's revenues totaled \$7,554,774 for the year ended June 30, 2008, a 10.76 percent increase from the prior year. Revenues included local tax of \$2,630,254, charges for service of \$684,883, operating grants, contributions and restricted interest of \$1,416,695, unrestricted state grants of \$2,729,676, unrestricted interest of \$68,056, and other general revenues of \$25,210.

Expenses for District operations totaled \$6,568,726, a 1.17 percent decrease from the prior year. Expenses included \$2,386,275 for regular instruction, \$842,300 for administration services, and \$824,754 for special instruction.

A copy of the audit report is available for review in the District Secretary's Office, in the Office of Auditor of State, and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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Sigourney Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Rob Campbell	President	2007
Richard Danowsky	Vice President	2009
Kathy Utterback	Board Member	2007
Kirk Beasley	Board Member	2007
Larry Alderson	Board Member	2008
David Goll	Board Member	2008
Bill Rees	Board Member	2009
Board of Education (After September 2007 Election)		
Richard Danowsky	President	2009
Bill Rees	Vice President	2009
Terry Hollingsworth	Board Member	2010
Teresa Dawson	Board Member	2010
Larry Alderson	Board Member	2008
David Goll	Board Member	2008
Mark O'Rourke	Board Member	2010
School Officials		
Todd Abrahamson	Superintendent	2008
Yvonne Pitsch	District Secretary/Treasurer and Business Manager	2008
Gruhn Law Firm	Attorney	2008
Ed Conrad	Attorney	2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District, Sigourney, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2009 on our consideration of Sigourney Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sigourney Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sigourney Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,866,433 in fiscal year 2007 to \$6,654,218 in fiscal year 2008, while General Fund expenditures increased from \$5,858,527 in fiscal 2007 to \$5,976,001 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$328,060 in fiscal 2007 to \$1,006,277 in fiscal 2008, a 206.74% increase from prior year.
- Overall, the District net assets in the governmental activities increased by \$981,210, and the business-type activities increased by \$4,838, respectively.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sigourney Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sigourney Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sigourney Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Sigourney Community School District Annual Financial Report

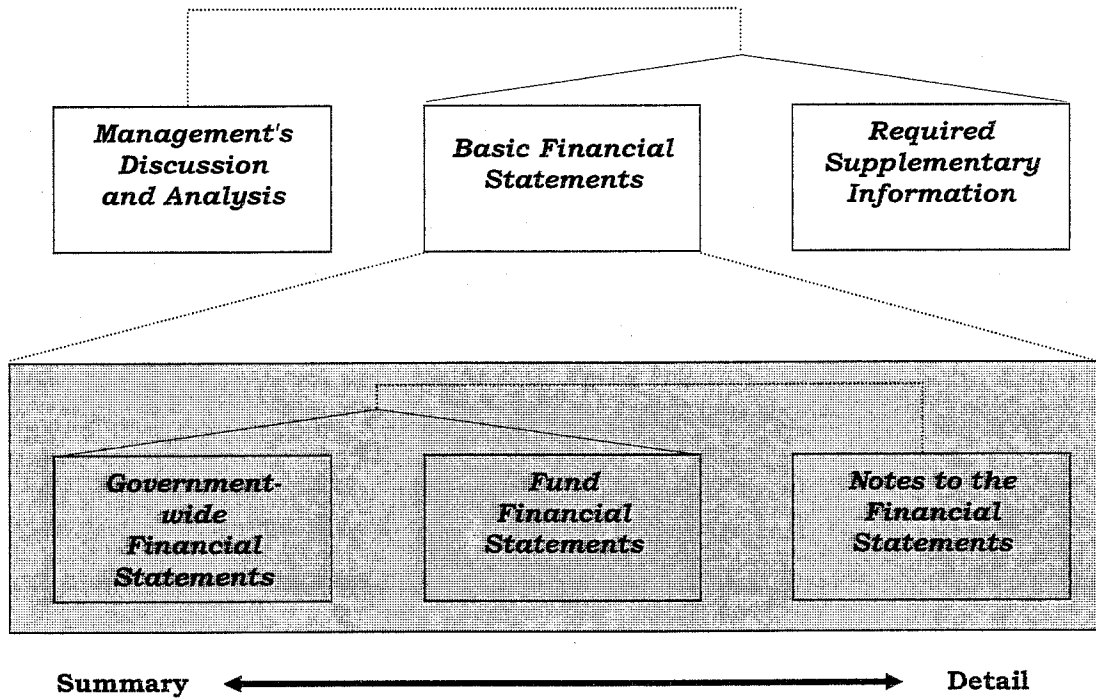


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses, e.g., food service	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 3,727,916	4,596,644	17,841	20,548	3,745,757	4,617,192	-18.87%
Capital assets	3,200,302	2,681,241	28,879	21,144	3,229,181	2,702,385	19.49%
Total assets	6,928,218	7,277,885	46,720	41,692	6,974,938	7,319,577	-4.71%
Long-term obligations	262,085	529,946	0	0	262,085	529,946	-50.54%
Other liabilities	2,259,617	3,322,633	1,589	1,399	2,261,206	3,324,032	-31.97%
Total liabilities	2,521,702	3,852,579	1,589	1,399	2,523,291	3,853,978	-34.53%
Net assets:							
Invested in capital assets, net of related debt	2,940,302	2,166,241	28,879	21,144	2,969,181	2,187,385	35.74%
Restricted	399,464	850,048	0	0	399,464	850,048	-53.01%
Unrestricted	1,066,750	409,017	16,252	19,149	1,083,002	428,166	152.94%
Total net assets	\$ 4,406,516	3,425,306	45,131	40,293	4,451,647	3,465,599	28.45%

The District's combined net assets increased by 28.45%, or \$986,048, over the prior year. The largest portion of the District's net assets is invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased 53.01% or \$450,584 from the prior year. The decrease was primarily due to the decrease in the Capital Projects fund balance.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased 152.94% or \$654,836 over the prior year. This increase was due primarily to the increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and transfers:							
Program revenues:							
Charges for services	\$ 549,453	489,410	135,430	143,228	684,883	632,638	8.26%
Operating grants and contributions and restricted interest	1,310,794	845,800	105,901	113,861	1,416,695	959,661	47.62%
General revenues:							
Property tax	2,271,131	1,932,336	0	0	2,271,131	1,932,336	17.53%
Local option sales and service tax	359,123	386,842	0	0	359,123	386,842	-7.17%
Unrestricted state grants	2,729,676	2,828,367	0	0	2,729,676	2,828,367	-3.49%
Other	93,157	86,652	109	151	93,266	86,803	7.45%
Transfers	(12,375)	(5,797)	12,375	0	0	(5,797)	100.00%
Total revenues and transfers	7,300,959	6,563,610	253,815	257,240	7,554,774	6,820,850	10.76%
Program expenses:							
Governmental activities:							
Instructional	3,918,372	4,147,135	0	0	3,918,372	4,147,135	-5.52%
Support services	1,974,765	1,912,551	0	0	1,974,765	1,912,551	3.25%
Non-instructional programs	652	2,632	248,977	247,865	249,629	250,497	-0.35%
Other expenses	425,960	336,096	0	0	425,960	336,096	26.74%
Total expenses	6,319,749	6,398,414	248,977	247,865	6,568,726	6,646,279	-1.17%
Changes in net assets	981,210	165,196	4,838	9,375	986,048	174,571	464.84%
Net assets beginning of year	3,425,306	3,260,110	40,293	30,918	3,465,599	3,291,028	5.30%
Net assets end of year	\$ 4,406,516	3,425,306	45,131	40,293	4,451,647	3,465,599	28.45%

In fiscal 2008, property tax and unrestricted state grants account for 68.50% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 95.08% of the revenue from business type activities.

The District's total revenues were approximately \$7.55 million of which \$7.30 million was for governmental activities and \$0.25 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 10.76% increase in revenues and a 1.17% decrease in expenses. The decrease in expenses is related to the decrease in instructional costs during the year.

Governmental Activities

Revenues for governmental activities were \$7,300,959 and expenses were \$6,319,749 for the year ended June 30, 2008.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 3,918,372	4,147,135	-5.52%	2,272,098	3,022,995	-24.84%
Support services	1,974,765	1,912,551	3.25%	1,974,765	1,912,193	3.27%
Non-instructional programs	652	2,632	-75.23%	652	2,632	-75.23%
Other expenses	425,960	336,096	26.74%	211,987	125,384	69.07%
Totals	<u>\$ 6,319,749</u>	<u>6,398,414</u>	<u>-1.23%</u>	<u>4,459,502</u>	<u>5,063,204</u>	<u>-11.92%</u>

For the year ended June 30, 2008:

- The cost financed by users of the District's programs was \$549,453.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,310,794.
- The net cost of governmental activities was financed with \$2,271,131 in property tax, \$359,123 in local option sales and services tax, \$2,729,676 in unrestricted state grants and \$67,947 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$253,815 and expenses were \$248,977. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Sigourney Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,362,744, above last year's ending fund balances of \$1,170,369.

Governmental Fund Highlights

- The District's increasing General Fund financial position is the product of many factors. Total revenues increased due to the increases in state grant revenues and local sources of revenues during the year. Total expenses decreased due to a decrease in instructional expenditures during the year.
- The Capital Projects Fund decreased from an ending balance of \$662,360 in fiscal 2007 to \$175,802 in fiscal 2008. The decrease in this fund is due to an increase in facilities acquisition expenditures compared to the prior year.
- The Special Revenue, Management Levy fund balance increased in fiscal year 2008. The increase in revenues was greater than the increase in expenditures when compared to 2007. This caused the fund balance to increase from \$28,959 to \$56,185.

- The Special Revenue, Physical Plant and Equipment Levy fund balance decreased \$30,137 to an ending balance of \$1,153. This was the result of a large decrease in revenues during fiscal 2008 as compared to fiscal 2007.

Proprietary Funds Highlights

The School Nutrition Fund net assets increased from \$40,293 at June 30, 2007 to \$45,131 at June 30, 2008, representing an increase of 12.01%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$39,070 more than budgeted revenues, a variance of less than 1%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

During the year ended June 30, 2008 the certified budget was exceeded in the other expenditures functional area.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,229,181, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$186,716.

The original cost of the District's capital assets was \$6,128,912. Governmental funds account for \$5,960,330 with the remainder of \$168,582 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$315,886 at June 30, 2008 compared to \$115,951 at June 30, 2007. This increase was due primarily to the purchase of a school bus and a lighting project for the baseball, softball, and football fields.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 127,865	78,935	0	0	127,865	78,935	61.99%
Buildings	2,426,021	2,315,896	0	0	2,426,021	2,315,896	4.76%
Land improvements	359,409	191,603	0	0	359,409	191,603	87.58%
Machinery and equipment	287,007	94,807	28,879	21,144	315,886	115,951	172.43%
Total	\$ 3,200,302	2,681,241	28,879	21,144	3,229,181	2,702,385	19.49%

Long-Term Debt

At June 30, 2008, the District had \$262,085 in other long-term debt outstanding. This represents a decrease of 50.54% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$260,000 at June 30, 2008.

The District had total outstanding compensated absences payable from the General Fund of \$2,085.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 260,000	515,000	-49.51%
Compensated absences	2,085	14,946	-86.05%
Total	<u>\$ 262,085</u>	<u>529,946</u>	<u>-50.54%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Certified enrollment decreased by 38.4 students during the 2007-08 year.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Low allowable growth over several years is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marlene Stoutner, District Secretary, Sigourney Community School District, 107 West Marion, Sigourney, Iowa, 52591.

BASIC FINANCIAL STATEMENTS

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 907,998	14,378	922,376
Receivables:			
Property tax:			
Delinquent	46,685	0	46,685
Succeeding year	2,215,013	0	2,215,013
Income surtax	107,548	0	107,548
Accounts	2,775	0	2,775
Due from other governments	447,897	0	447,897
Inventories	0	3,463	3,463
Capital assets, net of accumulated depreciation (Note 5)	3,200,302	28,879	3,229,181
TOTAL ASSETS	6,928,218	46,720	6,974,938
LIABILITIES			
Accounts payable	40,064	0	40,064
Salaries and benefits payable	2,547	0	2,547
Interest payable	1,993	0	1,993
Deferred revenue:			
Succeeding year property tax	2,215,013	0	2,215,013
Unearned revenue	0	1,589	1,589
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	260,000	0	260,000
Compensated absences	2,085	0	2,085
TOTAL LIABILITIES	2,521,702	1,589	2,523,291
NET ASSETS			
Invested in capital assets, net of related debt	2,940,302	28,879	2,969,181
Restricted for:			
Talented and gifted	28,870	0	28,870
Salary improvement program	3,118	0	3,118
Beginning teacher mentoring	1,278	0	1,278
Beginning administrator mentoring	1,500	0	1,500
Additional teacher contract day	1,523	0	1,523
Professional development	1,687	0	1,687
Market factor incentives	5,021	0	5,021
Debt service	26,509	0	26,509
Capital projects	175,802	0	175,802
Management levy	56,185	0	56,185
Physical plant and equipment levy	1,153	0	1,153
Other special revenue purposes	96,818	0	96,818
Unrestricted	1,066,750	16,252	1,083,002
TOTAL NET ASSETS	\$ 4,406,516	45,131	4,451,647

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs:					
Governmental activities:					
Instruction:					
Regular instruction	\$ 2,386,275	213,060	1,064,489	(1,108,726)	0
Special instruction	824,754	152,490	32,332	(639,932)	0
Other instruction	707,343	183,903	0	(523,440)	0
	<u>3,918,372</u>	<u>549,453</u>	<u>1,096,821</u>	<u>(2,272,098)</u>	<u>0</u>
Support services:					
Student services	91,569	0	0	(91,569)	0
Instructional staff services	183,197	0	0	(183,197)	0
Administration services	842,300	0	0	(842,300)	0
Operation and maintenance of plant services	561,832	0	0	(561,832)	0
Transportation services	295,867	0	0	(295,867)	0
	<u>1,974,765</u>	<u>0</u>	<u>0</u>	<u>(1,974,765)</u>	<u>0</u>
Non-instructional programs:					
Food service operations	652	0	0	(652)	0
Other expenditures:					
Facilities acquisitions	78,172	0	0	(78,172)	0
Long-term debt interest	21,922	0	0	(21,922)	0
AEA flowthrough	213,973	0	213,973	0	0
Depreciation(unallocated)*	111,893	0	0	(111,893)	0
	<u>425,960</u>	<u>0</u>	<u>213,973</u>	<u>(211,987)</u>	<u>0</u>
Total governmental activities	<u>6,319,749</u>	<u>549,453</u>	<u>1,310,794</u>	<u>(4,459,502)</u>	<u>0</u>
Business-Type activities:					
Non-instructional programs:					
Nutrition services	248,977	135,430	105,901	0	(7,646)
Total business-type activities	<u>248,977</u>	<u>135,430</u>	<u>105,901</u>	<u>0</u>	<u>(7,646)</u>
Total	<u>\$ 6,568,726</u>	<u>684,883</u>	<u>1,416,695</u>	<u>(4,459,502)</u>	<u>(7,646)</u>
General Revenues and Transfers:					
General Revenues:					
Local tax for:					
General purposes				\$ 2,271,131	0
Local option sales and service tax				359,123	0
Unrestricted state grants				2,729,676	0
Unrestricted investment earnings				67,947	109
Other general revenues				25,210	0
Transfers				(12,375)	12,375
Total general revenues and transfers				<u>5,440,712</u>	<u>12,484</u>
Changes in net assets				981,210	4,838
Net assets beginning of year				3,425,306	40,293
Net assets end of year				<u>\$ 4,406,516</u>	<u>45,131</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 726,067	2,963	178,968	907,998
Receivables:				
Property tax:				
Delinquent	44,524	0	2,161	46,685
Succeeding year	2,135,013	0	80,000	2,215,013
Income surtax	107,548	0	0	107,548
Accounts	2,775	0	0	2,775
Due from other governments	255,935	191,962	0	447,897
TOTAL ASSETS	\$ 3,271,862	194,925	261,129	3,727,916
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 20,477	19,123	464	40,064
Salaries and benefits payable	2,547	0	0	2,547
Deferred revenue:				
Succeeding year property tax	2,135,013	0	80,000	2,215,013
Income surtax	107,548	0	0	107,548
Total liabilities	2,265,585	19,123	80,464	2,365,172
Fund balances:				
Reserved for:				
Debt service	0	0	26,509	26,509
Talented and gifted	28,870	0	0	28,870
Salary improvement program	3,118	0	0	3,118
Beginning teacher mentoring	1,278	0	0	1,278
Beginning administrator mentoring	1,500	0	0	1,500
Additional teacher contract day	1,523	0	0	1,523
Professional development	1,687	0	0	1,687
Market factor incentives	5,021	0	0	5,021
Unreserved:				
General	963,280	0	0	963,280
Capital projects	0	175,802	0	175,802
Management levy	0	0	56,185	56,185
Physical plant and equipment levy	0	0	1,153	1,153
Other special revenue purposes	0	0	96,818	96,818
Total fund balances	1,006,277	175,802	180,665	1,362,744
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,271,862	194,925	261,129	3,727,916

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

Total fund balances of governmental funds (page 15)	\$ 1,362,744
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,200,302
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	107,548
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(1,993)
Long-term liabilities, including general obligation bonds and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(262,085)
Net assets of governmental activities (page 13)	<u>\$ 4,406,516</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,171,505	0	99,626	2,271,131
Local option sales and service tax	0	359,123	0	359,123
Tuition	260,764	0	0	260,764
Other	326,825	12,567	187,717	527,109
State sources	3,405,716	0	83	3,405,799
Federal sources	488,958	0	0	488,958
Total revenues	6,653,768	371,690	287,426	7,312,884
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,355,009	14,674	16,592	2,386,275
Special instruction	807,421	0	17,333	824,754
Other instruction	532,266	0	175,077	707,343
	3,694,696	14,674	209,002	3,918,372
Support services:				
Student services	91,035	0	534	91,569
Instructional staff services	182,514	0	683	183,197
Administration services	851,486	7,546	10,447	869,479
Operation and maintenance of plant services	480,761	63,386	30,228	574,375
Transportation services	461,536	34	12,011	473,581
	2,067,332	70,966	53,903	2,192,201
Non-instructional programs:				
Food service operations	0	0	652	652
Other expenditures:				
Facilities acquisitions	0	493,773	23,153	516,926
Long-term debt:				
Principal	0	0	255,000	255,000
Interest and fiscal charges	0	0	23,835	23,835
AEA flowthrough	213,973	0	0	213,973
	213,973	493,773	301,988	1,009,734
Total expenditures	5,976,001	579,413	565,545	7,120,959
Excess(deficiency)of revenues over(under) expenditures	677,767	(207,723)	(278,119)	191,925
OTHER FINANCING SOURCES(USES):				
Transfer in	0	0	278,835	278,835
Transfer out	0	(278,835)	0	(278,835)
Sale of equipment	450	0	0	450
Total other financing sources(uses)	450	(278,835)	278,835	450
Net change in fund balances	678,217	(486,558)	716	192,375
Fund balance beginning of year	328,060	662,360	179,949	1,170,369
Fund balance end of year	\$ 1,006,277	175,802	180,665	1,362,744

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 17) \$ 192,375

*Amounts reported for governmental activities in the
 Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Depreciation expense and capital outlay expenditures in the current year are as follows:

Expenditures for capital assets	\$ 701,137	
Depreciation expense	<u>(182,076)</u>	519,061

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 255,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,913

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences		<u>12,861</u>
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Changes in net assets of governmental activities (page 14) \$ 981,210

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	<u>School Nutrition</u>
ASSETS	
Cash and pooled investments	\$ 14,378
Inventories	3,463
Capital assets, net of accumulated depreciation (Note 5)	28,879
TOTAL ASSETS	<u>46,720</u>
LIABILITIES	
Unearned revenues	1,589
TOTAL LIABILITIES	<u>1,589</u>
NET ASSETS	
Invested in capital assets	28,879
Unrestricted	16,252
TOTAL NET ASSETS	<u>\$ 45,131</u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
OPERATING REVENUE:	
Local sources:	
Charges for services	\$ 135,430
OPERATING EXPENSES:	
Non-instructional programs:	
Food service operations:	
Salaries	99,476
Benefits	45,509
Services	1,294
Supplies	98,058
Depreciation	4,640
TOTAL OPERATING EXPENSES	<u>248,977</u>
OPERATING LOSS	<u>(113,547)</u>
NON-OPERATING REVENUES:	
State sources	3,156
Federal sources	102,745
Interest income	109
TOTAL NON-OPERATING REVENUES	<u>106,010</u>
Changes in net assets before capital contributions	(7,537)
Capital contributions	<u>12,375</u>
Change in net assets	4,838
Net assets beginning of year	<u>40,293</u>
Net assets end of year	<u><u>\$ 45,131</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 135,186
Cash received from miscellaneous	434
Cash payments to employees for services	(144,985)
Cash payments to suppliers for goods or services	(79,033)
Net cash used in operating activities	<u>(88,398)</u>
Cash flows from non-capital financing activities:	
State grants received	3,156
Federal grants received	85,943
Net cash provided by non-capital financing activities	<u>89,099</u>
Cash flows from investing activities:	
Interest on investments	<u>109</u>
Net increase in cash and cash equivalents	810
Cash and cash equivalents at beginning of year	<u>13,568</u>
Cash and cash equivalents at end of year	<u>\$ 14,378</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (113,547)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Commodities consumed	16,802
Depreciation	4,640
Decrease in inventories	3,517
Increase in unearned revenue	190
Net cash used in operating activities	<u>\$ (88,398)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:	
Current assets:	
Cash and pooled investments	<u>\$ 14,378</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
During the year ended June 30, 2008, the District received Federal commodities valued at \$16,802.	
During the year ended June 30, 2008, the Nutrition Fund received Capital Contributions from the Capital Projects Fund of \$12,375.	

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
ASSETS	
Cash and pooled investments	<u>\$ 18,005</u>
LIABILITIES	<u>0</u>
NET ASSETS	
Reserved for scholarships	<u><u>\$ 18,005</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 655
Deductions:	
Instruction:	
Scholarships awarded	450
Change in net assets	205
Net assets beginning of year	17,800
Net assets end of year	\$ 18,005

SEE NOTES TO FINANCIAL STATEMENTS.

SIGOURNEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Sigourney Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sigourney, Iowa, and the predominate agricultural territory in Keokuk County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sigourney Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sigourney Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Keokuk County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

The District reports the following proprietary fund:

The District's proprietary funds is the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB

pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 0
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial

statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures in the other expenditures functional area exceed budgeted amounts.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 47,998</u>

At June 30, 2008, the District had investments in IPASeducation as follows:

	Amortized Cost
Diversified portfolio	<u>\$ 249,413</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 278,835</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participated in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. At June 30, 2008, the District was no longer participating in ISCAP.

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the district must repay the outstanding withdrawal from its General Fund receipts. In addition, the district must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2007-08A	\$ 0	100,000	100,000	0

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.5000%	5.4480%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 78,935	48,930	0	127,865
Total capital assets not being depreciated	78,935	48,930	0	127,865
Capital assets being depreciated:				
Buildings	4,268,010	195,430	0	4,463,440
Land improvements	386,899	194,394	0	581,293
Machinery and equipment	582,855	262,383	57,506	787,732
Total capital assets being depreciated	5,237,764	652,207	57,506	5,832,465
Less accumulated depreciation for:				
Buildings	1,952,114	85,305	0	2,037,419
Land improvements	195,296	26,588	0	221,884
Machinery and equipment	488,048	70,183	57,506	500,725
Total accumulated depreciation	2,635,458	182,076	57,506	2,760,028
Total capital assets being depreciated, net	2,602,306	470,131	0	3,072,437
Governmental activities capital assets, net	\$ 2,681,241	519,061	0	3,200,302

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 169,237	12,375	13,030	168,582
Less accumulated depreciation	148,093	4,640	13,030	139,703
Business-type activities capital assets, net	<u>\$ 21,144</u>	<u>7,735</u>	<u>0</u>	<u>28,879</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Support services:	
Administration	\$ 9,736
Operation and maintenance of plant	3,853
Transportation	56,594
	<u>70,183</u>
Unallocated depreciation	111,893
	<u>182,076</u>
Total governmental activities depreciation expense	<u>\$ 182,076</u>
Business-type activities:	
Food services	<u>\$ 4,640</u>

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 515,000	0	255,000	260,000	260,000
Compensated Absences	14,946	2,085	14,946	2,085	2,085
	<u>\$ 529,946</u>	<u>2,085</u>	<u>269,946</u>	<u>262,085</u>	<u>262,085</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness are as follows:

Year	Bond issue of May 1, 1999			
Ending June 30,	Interest Rates	Principal	Interest	Total
2009	4.60 %	\$ 260,000	11,960	271,960

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial

statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$195,250, \$196,580 and \$204,612 respectively, equal to the required contributions for each year.

(8) Risk Management

Sigourney Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$213,973 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Budget Overexpenditure

Per the Code of Iowa, disbursements may not legally exceed the certified budget amounts. During the year ended June 30, 2008 disbursements in the other expenditures functional area exceeded the amount budgeted.

REQUIRED SUPPLEMENTARY INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 3,418,127	135,539	3,553,666	3,489,086	3,489,086	64,580
State sources	3,405,799	3,156	3,408,955	3,413,168	3,413,168	(4,213)
Federal sources	488,958	102,745	591,703	613,000	613,000	(21,297)
Total revenues	<u>7,312,884</u>	<u>241,440</u>	<u>7,554,324</u>	<u>7,515,254</u>	<u>7,515,254</u>	<u>39,070</u>
Expenditures:						
Instruction	3,918,372	0	3,918,372	5,636,665	5,636,665	1,718,293
Support services	2,192,201	0	2,192,201	2,349,000	2,349,000	156,799
Non-instructional programs	652	248,977	249,629	302,118	302,118	52,489
Other expenditures	1,009,734	0	1,009,734	710,184	951,184	(58,550)
Total expenditures	<u>7,120,959</u>	<u>248,977</u>	<u>7,369,936</u>	<u>8,997,967</u>	<u>9,238,967</u>	<u>1,869,031</u>
Excess(deficiency)of revenues over(under)expenditures	191,925	(7,537)	184,388	(1,482,713)	(1,723,713)	1,908,101
Other financing sources, net	450	12,375	12,825	10,000	10,000	2,825
Excess(deficiency)of revenues over(under)expenditures and other financing sources	192,375	4,838	197,213	(1,472,713)	(1,713,713)	1,910,926
Balance beginning of year	1,170,369	40,293	1,210,662	1,062,734	1,062,734	147,928
Balance end of year	<u>\$ 1,362,744</u>	<u>45,131</u>	<u>1,407,875</u>	<u>(409,979)</u>	<u>(650,979)</u>	<u>2,058,854</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$241,000.

During the year ended June 30, 2008, expenditures in the other expenditures functional area exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

SIGOURNEY COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 54,024	97,282	1,153	152,459	26,509	178,968
Receivables:						
Property tax:						
Delinquent	2,161	0	0	2,161	0	2,161
Succeeding year property tax	80,000	0	0	80,000	0	80,000
TOTAL ASSETS	\$ 136,185	97,282	1,153	234,620	26,509	261,129
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 0	464	0	464	0	464
Deferred revenue:						
Succeeding year property tax	80,000	0	0	80,000	0	80,000
	80,000	464	0	80,464	0	80,464
Fund balances:						
Reserved for debt service	0	0	0	0	26,509	26,509
Unreserved	56,185	96,818	1,153	154,156	0	154,156
	56,185	96,818	1,153	154,156	26,509	180,665
TOTAL LIABILITIES AND FUND BALANCES	\$ 136,185	97,282	1,153	234,620	26,509	261,129

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total	
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total Special Revenue Funds	Debt Service	Other Nonmajor Governmental Funds
REVENUES:						
Local sources:						
Local tax	\$ 99,626	0	0	99,626	0	99,626
Other	9,802	177,617	223	187,642	75	187,717
State sources	83	0	0	83	0	83
TOTAL REVENUES	109,511	177,617	223	287,351	75	287,426
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	16,592	0	0	16,592	0	16,592
Special instruction	17,333	0	0	17,333	0	17,333
Other instruction	1,012	174,065	0	175,077	0	175,077
Support services:						
Student services	534	0	0	534	0	534
Instructional staff services	683	0	0	683	0	683
Administration services	3,240	0	7,207	10,447	0	10,447
Operation and maintenance of plant services	30,228	0	0	30,228	0	30,228
Transportation services	12,011	0	0	12,011	0	12,011
Non-instructional programs:						
Food service operations	652	0	0	652	0	652
Other expenditures:						
Facilities acquisitions	0	0	23,153	23,153	0	23,153
Long-term debt:						
Principal	0	0	0	0	255,000	255,000
Interest and fiscal charges	0	0	0	0	23,835	23,835
TOTAL EXPENDITURES	82,285	174,065	30,360	286,710	278,835	565,545
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,226	3,552	(30,137)	641	(278,760)	(278,119)
OTHER FINANCING SOURCES:						
Transfer in	0	0	0	0	278,835	278,835
Net change in fund balances	27,226	3,552	(30,137)	641	75	716
FUND BALANCE BEGINNING OF YEAR	28,959	93,266	31,290	153,515	26,434	179,949
FUND BALANCE END OF YEAR	\$ 56,185	96,818	1,153	154,156	26,509	180,665

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Drama	\$ 1,239	1,717	1,613	1,343
Spanish Club	3,206	63	319	2,950
Band Trip	9,419	29,104	34,476	4,047
Girls basketball fundraising	4,879	12,304	8,552	8,631
Girls golf fundraising	0	538	538	0
Boys basketball	466	8,828	3,851	5,443
Girls track fundraising	240	3,175	3,402	13
Softball	2,202	4,812	4,024	2,990
Baseball fundraising	390	5,699	2,107	3,982
Volleyball fundraising	170	2,065	1,549	686
Wrestling fundraising	2,437	6,432	4,456	4,413
Athletics	11,319	38,257	39,747	9,829
Sigourney-Keota	7,033	4,018	8,940	2,111
Interest	91	0	91	0
Jr High	1,057	117	90	1,084
Yearbook	4,783	7,401	7,394	4,790
FCCLA	7,930	7,033	6,211	8,752
FFA	9,591	19,620	22,033	7,178
Student Council	4,172	11,851	10,285	5,738
Cheerleaders	5,575	7,439	5,323	7,691
Wrestling cheerleader	541	60	0	601
Class of 2008	4,032	205	4,237	0
Class of 2009	3,669	813	2,598	1,884
Class of 2010	3,446	414	0	3,860
Class of 2011	3,309	357	0	3,666
Class of 2012	2,070	3,523	1,667	3,926
Class of 2013	0	1,424	562	862
Class of 2014	0	348	0	348
Total	\$ 93,266	177,617	174,065	96,818

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 2,630,254	2,310,889	2,461,134	2,374,146	2,156,319
Tuition	260,764	247,180	295,282	387,580	446,806
Other	527,109	328,882	313,145	269,074	260,471
State sources	3,405,799	3,355,294	3,113,321	3,025,100	2,861,247
Federal sources	488,958	318,873	331,662	302,972	290,904
Total	<u>\$ 7,312,884</u>	<u>6,561,118</u>	<u>6,514,544</u>	<u>6,358,872</u>	<u>6,015,747</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	\$ 2,386,275	2,404,906	2,543,872	2,347,907	2,353,346
Special instruction	824,754	1,003,097	1,159,901	1,135,695	1,561,658
Other instruction	707,343	724,617	758,084	747,163	451,458
Support services:					
Student services	91,569	96,963	97,821	97,550	92,753
Instructional staff services	183,197	203,032	189,373	199,712	138,823
Administration services	869,479	813,955	750,145	646,285	586,137
Operation and maintenance of plant services	574,375	535,287	551,149	457,047	285,958
Transportation services	473,581	221,468	270,654	257,980	233,505
Central support services	0	0	0	0	17,854
Non-instructional programs	652	2,632	694	505	631
Other expenditures:					
Facilities acquisitions	516,926	11,365	33,326	3,113	17,391
Long-term debt:					
Principal	255,000	160,000	320,000	225,000	215,000
Interest and fiscal charges	23,835	30,875	45,220	54,870	63,743
AEA flow-through	213,973	210,712	193,955	193,071	196,894
Total	<u>\$ 7,120,959</u>	<u>6,418,909</u>	<u>6,914,194</u>	<u>6,365,898</u>	<u>6,215,151</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	\$ 11,940
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	90,805 *
			<u>102,745</u>
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1082-G FY07	2,932
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010	1082-G FY08	79,426
			<u>82,358</u>
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 08	<u>1,118</u>
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	<u>2,417</u>
CHARTER SCHOOL	84.282	FY 07	293,804
CHARTER SCHOOL	84.282	FY 08	7,308
			<u>301,112</u>
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	<u>37,530</u>
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 08	<u>4,683</u>
AREA EDUCATION AGENCY:			
SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>32,332</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>10,856</u>
ENHANCING EDUCATION THROUGH TECHNOLOGY	84.318	FY 08	<u>3,000</u>
TOTAL			<u>\$ 578,151</u>

* Includes \$16,802 of non-cash awards.

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Sigourney Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Sigourney Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Sigourney Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sigourney Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sigourney Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sigourney Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sigourney Community School District's financial statements that is more than inconsequential will not be prevented or detected by Sigourney Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sigourney Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sigourney Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sigourney Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Sigourney Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sigourney Community School District and other parties to whom Sigourney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sigourney Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2009

NOLTE, CORNMAN & JOHNSON P.C.

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Sigourney Community School District:

Compliance

We have audited the compliance of Sigourney Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Sigourney Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Sigourney Community School District's management. Our responsibility is to express an opinion on Sigourney Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sigourney Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sigourney Community School District's compliance with those requirements.

In our opinion, Sigourney Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Sigourney Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sigourney Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sigourney Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as III-A-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sigourney Community School District and other parties to whom Sigourney Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

March 27, 2009

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - CFDA Number 84.282 - Charter Schools
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sigourney Community School District did not qualify as a low-risk auditee.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

- II-B-08 Purchase Orders - We noted during our audit instances of purchase orders that were dated after the invoices. Purchase orders are typically used to document approval prior to the purchase as well as documenting which account will be paying for the invoice. The fact that purchase orders are completed after the invoice arrives, indicates that purchases are being made without proper approval.

Recommendation - Better internal control is achieved when pre-numbered purchase orders are used and the sequence is monitored. The District should review the purchase order system in place. Purchase orders provide approval to order, therefore, pre-numbered purchase orders should be approved by the administrator before the ordering of supplies takes place.

Response - The District is reviewing procedures with regards to the use of purchase orders with the staff.

Conclusion - Response accepted.

- II-C-08 Deposit Slips - We noted during our audit that deposit slips prepared by District staff did not include a detailed listing of checks and cash that made up deposits. Without detail on deposit slips, deposits made were difficult to reconcile back to the receipts.

Recommendation - The District should require individuals who are preparing the deposit slips to complete the listing of checks and insert the amount of currency included in the deposit. The District may also consider identifying which receipts are included in that specific deposit, noting in an area of the deposit slip the receipt numbers included on that deposit. The identification of the receipts to the deposit slip aids in identifying reconciling items when reconciling bank statements each month, as well as serving as a control to help ensure all receipts are being deposited.

Response - The District will require that individuals put detail on the deposit slips when filling them out for deposit.

Conclusion -Response accepted.

- II-D-08 Scholarship Awards - We noted during our audit that when scholarships were awarded to the student, the check was being written directly to the student. We also noted that there was only one signature on the checks written out to the students. Chapter 291.1 of the Code of Iowa requires the Board President and Board Secretary to sign all checks. Also pursuant to this section, the Board President may designate an individual to sign warrants on his/her behalf. However, the Board Secretary may not designate an individual to sign in their absence.

Recommendation - The District should review their procedures to ensure that the proper signatures are on all checks before sending them out, in order to be in compliance with Chapter 291.1 of the Code of Iowa.

The District should write scholarship checks to the trade school/university the student is attending once that student has supplied adequate documentation to the District that the student is attending a trade school/university.

Response - The District will write checks in the future to the school and the student once supporting documentation has been provided showing that the student is attending the school.

Conclusion - Response accepted.

- II-E-08 Grants - We noted during our audit, that when expenditures for specific projects were posted, the expenses were not always properly posted to those projects.

Recommendation - The District should review the coding of bills, to ensure that all bills paid for a specific grant or project are properly coded. The project numbers may be obtained from the Uniform Financial Accounting for Iowa LEAs and AEAs. The proper coding also allows the district to maintain accountability of the grants by matching the revenues to the expenditures.

Response - The District will review the coding of bills to ensure expenditures for specific grants and projects are properly coded.

Conclusion - Response accepted.

- II-F-08 Meal Reimbursements - We noted during our audit that reimbursements to employees for meal expenses did not always have detailed receipts for the District's supporting documentation.

Recommendation - According to District policy, employees seeking reimbursement must turn in detailed receipts for all actual and necessary travel expenses or that expense will become the employee's personal expense and will not be reimbursed. The District should follow their policy and not reimburse expenses which are not supported by allowable detailed receipts.

Response - The District will require that detailed receipts must be turned in for meal reimbursements.

Conclusion - Response accepted.

II-G-08 Supporting Documents for Payments to Officials - We noted during the audit that the District currently has a policy in place for payments to athletic officials where a requisition for payment is signed by the athletic director and the official and then submitted to the central office as supporting documentation for payment. However, we noted one instance where a requisition for payment was not signed by the official.

Recommendation - The District should review the policies and procedures it has in place for payments to officials and the retention of supporting documentation for those payments to ensure that a breakdown in internal controls does not take place.

Response - The District has reviewed the procedures in place to ensure that requisitions for payment are signed by both the athletic director and the official.

Conclusion - Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.282: Charter Schools
Federal Award Year: 2007 and 2008
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives and implement as soon as possible.

Conclusion - Response accepted.

SIGOURNEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the other expenditures functional area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will monitor expenses to try to avoid exceeding budgeted amounts.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials and employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Julie Tremmel, Teacher Spouse owns Tremmel Backhoe Service	Services	\$350
Cyrena Buschmann, Teacher Spouse owns Sigourney Cleaners	Services	\$1,556
Yvonne Pitsch, Business Manager Spouse owns Sigourney Body Shop	Services	\$787
Dottie Dobbins, Secretary Spouse owns Phelps	Services	\$5,425
Zelda Chaney, Aide Spouse owns Sigourney News Review	Services	\$2,614

In accordance with the Attorney's General's opinion dated November 9, 1976, the above transactions with the spouses of the employees do not appear to represent a conflict of interest.

IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board. However, we noted that the minutes were not always published in a timely manner.

Recommendation - The District should publish the minutes within two weeks of the Board meeting, as required by 279.35 of the Code of Iowa.

Response - The District will implement internal controls to ensure minutes are published timely.

Conclusion - Response accepted.

IV-G-08 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.